

Talking points for
Tony T. Brown, Director

Community Development Financial
Institutions Fund (CDFI)

to

NCCED

"Communities in the Context of
National Policies and the National
Economy"

Detroit, MI
Friday, October 10, 2003

CDFI
fund



FOR IMMEDIATE RELEASE
October 10, 2003

Contact: Bill Luecht
(202) 622-8042

**Remarks from Tony T. Brown, Director
Community Development Financial Institutions Fund
U.S Department of the Treasury
at the
NCCED
"Communities in the Context of National Policies
and the National Economy"
Detroit, MI
Friday, October 10, 2003**

Good afternoon and thank you for the kind introduction. I want to thank Roy Priest, President of the National Congress for Community and Economic Development (NCCED), for inviting me to speak at your Annual Conference. I spoke last year at your luncheon so I guess you must like what I had to say since I've been invited back.

Or, is it the fact that I am from the Department of Treasury and we have bags of cash!

Roy said it must be the cash and not because of my friendly smile!

I remember the meeting after the luncheon last year. I was surrounded by about 50 members of your board of directors in the Presidential Suite in Miami and I was drilled on the New Markets Tax Credit. Boy, I thought, when it comes to resources to help improve communities this is one aggressive community group. I felt like I was on the hot seat!

I recall being centered in the middle of the room. I sat on one of those foot stools without any backing. Questions were shot at me on a rapid fire pace. I left the room with a crook in my neck, a headache and wondered what did the President get me into!

Well, in March of this year, Treasury Secretary John Snow announced \$2.5 billion in NMTC allocations to sixty-six community development entities. Shortly following that announcement, I read comments by Roy Priest that appeared in some newsletter.

I immediately thought about Miami and the inquisition I experienced from Mr. Priest's board members. I took a deep breath and read the article...

Mr. Priest commented that he was pleased with the inaugural round of the NMTC program and that many of his members did well.

Hey, I exhaled and smiled - Thank you, Jesus!

Let me add Roy, now that I know that it's safe, that it is my honor to be back to address your organization. I could only imagine what type of reception I would have

experienced had not any of your members been among the inaugural 66 allocatees with \$2.5 billion in NMTCs.

Let me also add that the winners in the last round did it on their own merit. This is not a political process. This is a process about who can perform the best in creating jobs in low-income communities. This is a process about who can forge the best public/private partnerships in improving America.

The members in NCCED did well because you know what it takes to improve America! You represent the very organizations that are at work in these distressed communities across America.

In remarks to community and business leaders across the country, President Bush acknowledges the role of community-based organizations, like you, in helping to eliminate pockets of economic despair. President Bush believes in the work you do to improve America.

The President's top priority for the nation is to strengthen our economic security. President Bush will not be satisfied until every American who wants a job can find one; until every business has a chance to grow; and until we create lasting prosperity that reaches every corner of America.

When others see vacant lots, dilapidated housing and deteriorating neighborhoods, you, as community-based developers, see an oasis of community spirit.

This community spirit, the spirit of America, means that our neighborhoods and communities should never be characterized as ghettos and as any place where the slogan is to "get out of the hood."

The spirit of America means that our neighborhoods and communities singularly and collectively represent who we are as a nation.

I applaud you and commend you for the fine work you do to improve our nation's communities. President Bush often reminds people that the great strength in America is not in our governments. The great strength in America is in the hearts and souls of citizens all around our country. The great strength in America is embodied in those who work, such as you, in community-based institutions across the country.

I would like to spend my few minutes with you talking about how the Department of Treasury's policies aid "Communities and the National Economy."

Treasury's responsibilities are broad and we have not always been at the table when urban and rural leaders gather to talk about community and economic development issues. And, yet, I don't understand why we have stayed under the radar screen among a prestigious group of community leaders. When it comes to money and the U.S. dollar Treasury's resources are vast:

- We coin and print it (US Mint and Bureau of Engraving)
- We collect it (IRS)
- We manage the flow of it (FMS, Bureau of Public Debt, OCC & OTS - Treasury bureaus)
- At the CDFI Fund, my responsibilities are to ensure that all Americans have



access to cash, capital and financial services

The mission of the CDFI Fund is to expand the capacity of financial institutions to provide credit, capital and financial services in underserved populations and communities in the United States. The organizations we support at the CDFI Fund are able to invest capital and lend in ways that are more flexible or innovative than traditionally regulated financial institutions.

Some people might characterize community development financial institutions as lenders of last resort. That's not how I see the network of financial institutions we support. They are not lenders of last resort. These institutions are lenders with high hopes.

These organizations know the value of America's human spirit and they are investing capital to raise the level of human dignity in our nation's economically distressed communities and among underserved populations.

As community-based developers, one important national tool for you to know about is the NMTC Program.

Last year, Roy didn't tell me that in 2000 he surveyed his members and that 90 percent of the respondents believed that the NMTC program would enhance their organization's activities to revitalize the nation's most distressed communities.

You already know that the NMTC is a perfect tool for you to expand your community development services beyond just housing.

New Markets Tax Credit is designed to help stimulate up to \$15 billion of needed private sector investments in low-income communities across the country. The NMTC Program offers us a tremendous chance to focus on these communities in an unprecedented manner.

The NMTC program is designed so that community economic development organizations and lenders, like many of you here today, can be empowered with the cash to make a difference in low-income areas.

- An organization must apply to the Fund to become certified as a Community Development Entity (CDE). To qualify as a CDE, the entity must have a mission of community development and demonstrate accountability to the low-income communities they. Currently, there are 1,021 certified CDEs.
- Once certified, the CDE applies for an allocation of NMTCs;
- If the CDE is awarded an allocation of tax credits, it may offer them to its equity investors;
- Investors can receive NMTCs worth 39 percent of the invested amount over the seven-year life of the credit. Investors may not redeem their investment in the CDE prior to the conclusion of the seven-year period;
- The CDE must use substantially all of the proceeds from these investments to make Qualified Low-Income Community Investments (QLICs). QLICs include:
 - Loans and investments in support of commercial real estate development in low-income communities;
 - Loans and investments to businesses operating in low-income communities;

- Loans and investments to other CDEs;
- The purchase of loans made by other CDEs to businesses operating in low-income communities; and
- The provision of counseling to businesses operating in low-income communities.

The next application round for the NMTC Program closed last week.

We received nearly 270 applications seeking over \$30 billion in NMTC allocation authority. We only have \$3.5 billion to allocate this round.

You may be wondering if it's too late to participate in the NMTC program since the FY 2003 round just closed. The answer to this question is no.

As community-based developers, I suggest that you identify one of the first 66 allocatees and tell them about one or more of your projects. I understand that many of them are still looking for strategic partners or projects to qualify as QLICs.

You may want to apply to the CDFI Fund and get certified as a CDE with no intentions to ever apply for an allocation of NMTCs. Now you ask, why should I just do that?

Remember CDEs that raise equity from an allocation of NMTCs may:

- Lend and investments in other CDEs;
- And they may purchase loans made by other CDEs to businesses operating in low-income communities;

This strategy may give you and your strategic partner the most efficient and flexible manner to raise capital and provide you with financial assistance.

Let me close by telling you the strategic course that the Administration has set for the CDFI Fund.

If we as a country are serious about promoting economic prosperity and stability for all Americans and all communities, then gaps in financial service and credit availability must be addressed. The Treasury Department recognizes the unique role of community development finance and supports it.

In difficult times such as these, community development finance is needed more than ever to create jobs, build wealth and provide access to financial services and credit in our distressed communities and targeted populations.

The nation-wide network of over 1,800 certified community development financial institutions (CDFIs) and community development entities (CDEs) are bound by their common mission to do just that - to fill the financial service and credit gaps in underserved communities.

The NMTC Program is presenting us with a unique opportunity to put all these institutions together under one program - CDCs, CDFIs, thrifts, banks, credit unions, community development venture capitalists, SSBICs and business development boards.



The list of CDEs not only include publicly-traded institutions but many are from faith and community-based institutions and they trade in divine hope for uplifting the capacity of the human spirit and the wellbeing of our communities.

The President needs to look no further than the CDFI Fund's website to find his compassionate army of social entrepreneurs and see a list of the folks who are financing them.

We value this network and have embarked on a vision of a national policy to strengthen its capacity as a sustainable network serving our nation's most distressed areas.

This Administration is investing several million dollars to build an electronic database to link these institutions so that they can tell their stories and show how billions of dollars in loans and investments impact our nation's most distressed areas and underserved populations.

The network of certified institutions and entities at the Fund will have the nation's leading - economic financing tracking tool: the "Community Investment Intelligence System" (we fondly call CIIS). CIIS will be used by CDFIs and CDEs to demonstrate the results of their investments to Congress, the Administration, other investors and the Public. We hope to have CIIS fully operational by February 2004.

At the CDFI Fund, we play an active role in the President's vision for a more prosperous America.

We understand the role that community development finance play in helping the President to achieve his goal of prosperity in every corner of America.

We believe that ALL Americans should have access to capital, credit and financial services.

We believe in you and the progress that you can make in improving the lives of the residents and the communities you serve.

It has been my honor to join you today.

Thank you very much.